

TORONTO STOCK EXCHANGE

BULLETIN NO. 7305

TORONTO

August 7, 1969

NEW LISTINGPURE SILVER MINES LIMITED

Application has been granted for the listing in the mining category of 5,000,000 shares without par value of which 2,428,500 are issued and outstanding.

The shares will be posted for trading at the opening on Monday, August 11th. Stock Symbol "PSL"; Post Section 9.2; Dial Quotation No. 2287

Listing Statement No. 2387 is being prepared. The following is some of the information that will be in this Statement:-

Incorporated - Incorporated by Letters Patent under the Corporations Act (Ontario) by Letters Patent dated April 29th, 1966; Supplementary Letters Patent dated May 24th, 1966 and Nov. 18, 1966.

Head Office - 1700 The Canada Trust Building, 110 Yonge Street, Toronto 1, Ontario

Officers -

President	- A. J. Anderson, Toronto, Ont., Mining Engineer
Vice-President	- W. H. Gross, Mexico, Geologist
Treasurer	- W. S. Eplett, Willowdale, Ont., Lawyer-Executive
Secretary	- T.F.C. Cole, Toronto, Ont., Solicitor

Directors - A. J. Anderson, W. H. Gross, W. S. Eplett and the following:-

E. L. Samuel, Port Credit, Ont., Industrialist
R. C. Stone, Agincourt, Ont., Stockbroker
D.E.G. Vasey, Toronto, Ont., Industrialist

Capital Structure - 5,000,000 shares without par value

	<u>Shares</u>
Issued for claims	900,000
Sold for cash\$601,000.00	1,528,500
Total issued	2,428,500
In treasury	2,571,500
Authorized capital	<u>5,000,000</u>

Underwriting and Options

of Shares subject to issuance - No shares are the subject of any underwriting or sales agreement or option for purpose of financing; however options conditional and otherwise are outstanding with respect to the respective numbers of shares indicated as follows: (a) absolute option; F. H. Deacon & Co. Ltd. 50,000 shares at 50¢ until April, 1971 (b) conditional options:

- (i) W. H. Gross, W. S. Eplett, Samuel Strapping Systems Limited and R. G. Cromptor 125,000 shares at 50¢ in the event of and for 18 months after, exercise of either the Cebada option or the Peregrina option referred to in Item 27.
- (ii) Samuel Strapping Systems Limited, The Johnston St. Corporation Limited, W. S. Eplett & W. H. Gross 100,000 shares at \$2.00, 100,000 shares at \$2.50 and 100,000 shares at \$3.50 until October 31, 1977 after 180 days of 200 t.p.d. production from any one of the properties of Torres or Plata.
- (iii) Robert P. Kaplan 10,000 shares at \$2.50 until September 11, 1969 if satisfactory agreements reached with respect to certain other Mexican interests.

Escrowed Shares - 325,000 shares part of the stock issued in payment for the Logjam Creek property set out in Item 9 are held in escrow by Montreal Trust Company at Toronto, subject as to release etc. only upon consent of the Securities Commissions of Ontario and British Columbia. In addition such Trust Company holds certificates for a further 234,016 in voluntary pool to be released at the rate of 58,500 quarterly commencing July 1, 1968.

Investments in the shares or other securities of other companies - Holdings in shares of other companies are considered property interests by the company.

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REPORT ON THE PROGRESS OF THE WORK DURING THE YEAR 1900

The work of the Committee during the year 1900 has been directed towards the completion of the report on the progress of the work during the year 1900.

The Committee has been very busy during the year 1900, and has been able to complete the report on the progress of the work during the year 1900.

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Properties - Company has interests in properties in Mexico, Ontario and the Yukon.

Cebada Option - the company as to 30%, Cia Fresnillo as to 37% and Metalurgica Mexicana Penoles, S.A. as to 33% have the right to purchase the issued shares of the Cebada company; certain mining equipment and machinery and the San Pedro Mill and water rights and other equipment and machinery.

The property is comprised of 6 mining concessions covering approximately 225 acres and upon exercise of the Cebada Option will receive a further 5 mining concessions covering approximately 410 acres.

Peregrina Option - the company and the two partner companies mentioned above receive the same percentages, namely 30%, 37% and 33% in the Santa Lucia Company. The Santa Lucia Company holds 12 mining concessions covering approximately 260 acres.

Las Torres Option - Mexico Exploration (Canada) Limited - Mexex, (92% owned by Pure Silver Mines) holds a 30% interest in Cia Minera Las Torres, S.A. which holds 9 mining concessions covering approximately 1,200 acres and has made application for an additional 5 mining concessions. Cia Fresnillo, S.A. holds 37% interest in Las Torres and Penoles the remaining 33%.

The company also holds an 8.6% interest in Tormex which is operating in Mexico.

Ontario - Mexex holds a 75% interest in 54 unpatented mining claims totalling approximately 2,160 acres in the Goodchild Lake Property, 10 miles north of Marathon, Ontario.

Yukon - The company holds 19 contiguous unpatented claims in the Yukon Territory 2 miles north of the British Columbia border, covering about 950 acres.

Reference is made to Listing Statement No. 2387 for the summary of engineering reports on the different properties.

BY ORDER OF THE BOARD OF GOVERNORS

J. R. KIMBER
President

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2387.

LISTED AUGUST 11, 1969.
5,000,000 Shares without par value.
Ticker Abbreviaton "PSL".
Dial Ticker No. 2287.
Post Section 9.2.
Stock Symbol "PSL".
Dial Quotation No. 2287.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

PURE SILVER MINES LIMITED

Incorporated by Letters Patent under the Corporations Act (Ontario) by Letters Patent dated April 29, 1966; Supplementary Letters Patent dated May 24, 1966 and November 18, 1966

1. Address of the Company's Head Office and of any other offices:
1700 The Canada Trust Building, 110 Yonge Street, Toronto 1, Ontario.

2. Officers of the Company:

Office Held	Name	Address	Occupation
President	A. J. Anderson	4 Garland Ave., Toronto	Mining Engineer
Vice-President	W. H. Gross	Rio Atoyac 17, Apt. 6, Mexico 5	Geologist
Treasurer	W. S. Eplett	25 York Valley Dr., Willowdale	Lawyer-Executive
Secretary	T. F. C. Cole	219 Inglewood Dr., Toronto	Solicitor

3. Directors of the Company:

Name	Address	Occupation
A. J. Anderson	4 Garland Ave., Toronto	Mining Engineer
W. S. Eplett	25 York Valley Dr., Willowdale	Lawyer-Executive
W. H. Gross	Rio Atoyac 17, Apt. 6, Mexico 5	Geologist
E. L. Samuel	1060 Indian Road, Pt. Credit	Industrialist
R. C. Stone	32 Forestbrook Crescent, Agincourt	Stockbroker
D. E. G. Vasey	7 Thornwood Road, Toronto	Industrialist

4. Names and addresses of all transfer agents:

Montreal Trust Company, 15 King St. W., Toronto, Ontario and 466 Howe St., Vancouver, B.C.

5. Particulars of any fee charged upon transfer other than customary government taxes:
Fifty cents per certificate.

6. Names and addresses of all registrars:

Montreal Trust Company, 15 King St. W., Toronto, Ontario.

7. Amount of authorized capital: 5,000,000 shares without par value.

8. Number of shares and par value: 5,000,000 shares without par value.

9. Full details of all shares issued in payment for properties or for any other assets other than cash:

Date	Number of Shares	Brief description of the properties or other assets and the aggregate consideration therefor, expressed in cash, shares, etc.
Nov. 18, 1966	750,000	All interest in mineral claims Mac Nos. 1-19 Logjam Creek, Yukon 1,215,046 shares of Mexico Exploration (Canada) Limited
May 10, 1968	150,000	
Total	900,000	

10. Full details of all shares sold for cash.

Expressed in shares of present capitalization.

Date	Number of Shares	Price per Share	Amount realized by Company
April 29, 1966	50	10c.	\$ 5.00
May 3, 1966	510,000	10c.	51,000.00
October 19, 1966	139,950	10c.	13,995.00
February 20, 1967	400,000	25c.	100,000.00
August 8, 1967	300,000	40c.	120,000.00
May 10, 1968	20,000	50c.	10,000.00
October 30, 1968	40,000	50c.	20,000.00
October 30, 1968	15,000	50c.	7,500.00
February 27, 1969	30,000	\$7.75c.	232,500.00
May 1, 1968, to June 2, 1969 by conversion of \$73,500 debentures	73,500	1.00	73,500.00
Total	1,528,500		\$628,500.00

11. Total number of shares issued.

2,428,500.

12. Number of shares now in treasury or otherwise unissued.

2,571,500 *

* Unissued shares are reserved \$676,500 for debenture conversion and 1,260,000 against exercise of various options respecting property acquisitions.

13. Particulars of any issued shares held in trust for the Company or donated for treasury purposes.

Nil.

14. Date of last annual meeting.

August 7, 1968.

15. Date of last report to shareholders.

Annual July 5, 1968, progress May 20, 1969.

16. Details of any treasury shares (or shares issued subject to payment or shares held for the benefit of the treasury) now under option or the subject of any underwriting or sales agreement. If none, this to be stated.

No shares are the subject of any underwriting or sales agreement or option for purpose of financing; however, options conditional and otherwise are outstanding with respect to the respective numbers of shares indicated as follows:

- (a) absolute option:
F. H. Deacon & Co. Ltd. 50,000 shares at 50c. until April, 1971.
- (b) conditional options:
 - (i) W. H. Gross, W. S. Eplett, Samuel Strapping Systems Limited and R. G. Crompton 125,000 shares at 50c. in the event of and for 18 months after, exercise of either the Cebada option or the Peregrina option referred to in item 27.
 - (ii) Samuel Strapping Systems Limited, The Johnston St. Corporation Limited, W. S. Eplett and W. H. Gross 100,000 shares at \$2.00, 100,000 shares at \$2.50 and 100,000 shares at \$3.50 until October 31, 1977, after 180 days of 200 t.p.d. production from any one of the properties of Torres or Plata.
 - (iii) Robert P. Kaplan 10,000 shares at \$2.50 until September 11, 1969, if satisfactory agreements reached with respect to certain other Mexican interests.

17. Names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares or other securities or assignments, present or proposed.

N/A.

18. Details of any payments in cash or securities of the Company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.

A conditional option until September 11, 1969, was granted R. P. Kaplan in connection with negotiations for control of Cubo mine.

19. Details of any shares pooled, deposited in escrow, non-transferable or held under any voting trust agreement, syndicate agreement or control.	325,000 shares part of the stock issued in payment for the Logjam Creek property set out in Item 9 are held in escrow by Montreal Trust Company at Toronto, subject as to release, etc., only upon consent of the Securities Commissions of Ontario and British Columbia. In addition such Trust Company holds certificates for a further 234,016 in voluntary pool to be released at the rate of 58,500 quarterly commencing July 1, 1968.																														
20. Names and addresses of owners of more than a 5% interest in pooled or escrowed shares and their shareholdings. (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Voluntary Pooled Shares: <table> <tr><td>Allan J. Anderson, 4 Garland Avenue, Toronto</td><td>32,913</td></tr> <tr><td>William S. Eplett, 25 York Valley Drive, Willowdale, Ontario</td><td>23,749</td></tr> <tr><td>William H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5</td><td>18,933</td></tr> <tr><td>Wilfred McKinnon, Teslin, Y.T.</td><td>19,073</td></tr> <tr><td>Ernest L. Samuel, 1060 Indian Road, Port Credit, Ontario</td><td>23,748</td></tr> <tr><td>The Johnson Street Corporation, 1800-110 Yonge Street, Toronto</td><td>11,773</td></tr> <tr><td>The Rochdale Corporation Limited, 1800-110 Yonge Street, Toronto</td><td>11,791</td></tr> <tr><td>Timberline Development Services Limited, Teslin, Y.T.</td><td>13,396</td></tr> <tr><td>Domtor Company, c/o Toronto-Dominion Bank</td><td>19,200</td></tr> <tr><td>Mrs. Marily Anderson, 88 Alexandra Boulevard, Toronto</td><td>23,000</td></tr> <tr><td>E. James Anderson, 88 Alexandra Boulevard, Toronto</td><td>23,000</td></tr> <tr><td>F. H. Deacon & Company Limited, 105 Adelaide Street West, Toronto</td><td>13,440</td></tr> </table> Escrowed Shares: <table> <tr><td>Allan J. Anderson, 4 Garland Avenue, Toronto</td><td>69,214</td></tr> <tr><td>W. H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5</td><td>69,214</td></tr> <tr><td>W. McKinnon, Teslin, Y.T.</td><td>124,587</td></tr> </table>	Allan J. Anderson, 4 Garland Avenue, Toronto	32,913	William S. Eplett, 25 York Valley Drive, Willowdale, Ontario	23,749	William H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5	18,933	Wilfred McKinnon, Teslin, Y.T.	19,073	Ernest L. Samuel, 1060 Indian Road, Port Credit, Ontario	23,748	The Johnson Street Corporation, 1800-110 Yonge Street, Toronto	11,773	The Rochdale Corporation Limited, 1800-110 Yonge Street, Toronto	11,791	Timberline Development Services Limited, Teslin, Y.T.	13,396	Domtor Company, c/o Toronto-Dominion Bank	19,200	Mrs. Marily Anderson, 88 Alexandra Boulevard, Toronto	23,000	E. James Anderson, 88 Alexandra Boulevard, Toronto	23,000	F. H. Deacon & Company Limited, 105 Adelaide Street West, Toronto	13,440	Allan J. Anderson, 4 Garland Avenue, Toronto	69,214	W. H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5	69,214	W. McKinnon, Teslin, Y.T.	124,587
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21. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<table> <tr><td>Wilfred McKinnon, Teslin, Y.T.</td><td>343,065</td></tr> <tr><td>Allan J. Anderson, 4 Garland Avenue, Toronto, Ontario</td><td>235,282</td></tr> <tr><td>F. H. Deacon & Company Limited, 105 Adelaide Street West, Toronto, Ontario</td><td>189,200</td></tr> <tr><td>William H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5</td><td>172,004</td></tr> <tr><td>William S. Eplett, 25 York Valley Drive, Willowdale, Ontario</td><td>82,418</td></tr> <tr><td>Total Shares</td><td>1,021,969</td></tr> </table>	Wilfred McKinnon, Teslin, Y.T.	343,065	Allan J. Anderson, 4 Garland Avenue, Toronto, Ontario	235,282	F. H. Deacon & Company Limited, 105 Adelaide Street West, Toronto, Ontario	189,200	William H. Gross, Rio Atoyac 17, Apt. 6, Mexico 5	172,004	William S. Eplett, 25 York Valley Drive, Willowdale, Ontario	82,418	Total Shares	1,021,969																		
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Total Shares	1,021,969																														
22. Names and addresses of persons whose shareholdings are large enough to materially affect control of the Company.	If the 5 shareholders listed under Item 21 and E. L. Samuel voted together they could materially affect control.																														
23. Details of any registration with or approval or authority for sale granted by or any filing with a Securities Commission or corresponding Government body.	Receipts were issued for Prospectus dated December 15, 1966, February 20, 1967, by O.S.C. and February 21, 1967, by S.C.B.C.; receipts were issued for Prospectus dated July 26, 1967, August 1, 1967, by O.S.C. and August 8, 1967, by S.C.B.C. Receipt was issued for preliminary Prospectus dated March 18, 1968, on March 19, 1968, by O.S.C. and for Prospectus dated April 5, 1968, on April 9, 1968, by O.S.C. Preliminary Prospectus dated June 2, 1969, currently tendered for filing at O.S.C.																														
24. Has any application for registration with or approval or authority for sale by or any filing with a Securities Commission or corresponding Government body ever been refused, cancelled, suspended or revoked? If so, give particulars.	No.																														
25. Particulars of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	\$676,500 of 8% Convertible Income Debentures remain outstanding out of an original issue of \$750,000 face value.																														
26. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	Holdings in shares of other companies are considered property interests by the Company.																														

27. Enumerate fully each of the following property classifications, giving claim or property numbers, approximate acreage, townships and mining camp or oil field: (a) Properties owned where titles vested in Company. (b) Properties leased. (c) Properties otherwise held. Give particulars of title held by the Company in each instance (e.g. patented, unpatented, Crown granted, held under mining license, perpetual lease, etc.).	See Schedule A on Page 7.
28. Full particulars of any royalties or other charges payable upon production from each individual property.	None, other than Government charges.
29. Names and addresses of vendors of any property or other assets intended to be purchased by the Company showing the consideration to be paid.	None but see under Item 27—Schedule A on Page 7.
30. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	None but see under Item 27—Schedule A on Page 13.
31. Are any lawsuits pending or in process against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so explain fully.	No.
32. Describe plant and equipment on property or properties.	See under Item 27—Schedule A on Page 7.
33. Describe all development accomplished and planned.	See under Item 27—Schedule A on Page 12.
34. Date and author of mining or petroleum engineer's or geologist's report filed with this application and available for inspection on request.	21 May, 1969, B. M. Middleton.
35. Full particulars of production to date.	Nil (except development ore)
36. Have any dividends been paid? If so, give date, per share rate, and amount paid in dollars on each distribution.	No.

40. Continued	March 20, 1968, between Frances Joy Mandell, Estherelle Kaplan II, Wayne Tanenbaum, Ernest Lionel Samuel (acting as agent for Samuel Steel Strapping Limited, now Samuel Strapping Systems Limited), Runnymede and the Company, relating to indemnification with respect to certain workmen and the agreement of the Company to exercise the Peregrina Option if Fresnillo and/or Penoles wish to do so. 10. Agreement made February 23, 1968, between, among others, Fresnillo, Penoles and Mexex for option on shares of Torres and work on the Veta Madre. (Torres option referred to). 11. Trust Indenture dated as of April 1, 1968, between the Company and The Canada Trust Company, as trustee respecting aforesaid debentures. 12. Conditional option agreement made of of September 11, 1968, with R. P. Kaplan respecting 10,000 unissued shares of the Company. 13. Private placement agreement February 26, 1969, with F. H. Deacon & Company Limited. 14. Retainer agreement June 10, 1968, with W. H. Gross.
41. Any other material facts not disclosed in the foregoing.	

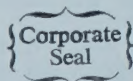
42.	STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL as of June 2, 1969		
FREE STOCK		Shares	Shares
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).		1,138,122	
(b) Distributed and in the hands of the promoters, officers and directors of the Company and their agents or trustees.		731,362	
Total free stock			1,869,484
ESCROWED OR POOLED STOCK			
(c) Held in escrow or pool as set out in Item 19 of this application.		pool escrow	234,016 325,000
Total issued capital			<u>2,428,500</u>

RECORD OF SHAREHOLDERS			
Number of registered shareholders holding shares in class (a) above		646	
Number of registered shareholders holding shares in class (b) above		9	
Number of registered shareholders holding shares in class (c) above		20	

43.	STATEMENT SHOWING NUMBER OF SHAREHOLDERS as of June 2, 1969		
	Number	Shares	
	209 Holders of 1 — 100 shares	18,102	
	306 " " 101 — 1000 "	149,133	
	44 " " 1001 — 2000 "	72,130	
	19 " " 2001 — 3000 "	48,600	
	18 " " 3001 — 4000 "	65,723	
	12 " " 4001 — 5000 "	58,191	
	47 " " 5001 — up "	2,016,621	
	<u>655</u> Stockholders	Total Shares	<u>2,428,500</u>

Dated at Toronto the 11th day of June, 1969.

PURE SILVER MINES LIMITED



"W. H. GROSS",
Vice-President

"THOMAS F. C. COLE",
Secretary

SCHEDULE A—ITEM 27

MINING PROPERTIES

Mexico

Cebada Option

By this agreement, re-negotiated after acquisition from Dr. W. H. Gross, options are held until February 22, 1970, from Robert N. Chommie and Dorothy C. Chommie, Guanajuato, Mexico, to purchase

- (a) the issued shares of the Cebada Company owned by them;
- (b) certain mining equipment and machinery;
- (c) the San Pedro Mill and water rights and other equipment and machinery.

The Company has the option to purchase 30%, Fresnillo 24% and Penoles 21% of the issued shares of the Cebada Company. By a redistribution of the 25% of the issued shares now held by The Fresnillo Company, ownership in the Cebada Company on exercise in full of the Cebada Option will be 30% by the Company, 37% by Fresnillo and 33% by Penoles. Such expenses are to be shared by them 30%, 37% and 33%. Payments to exercise the option on items (a) and (b) viz. shares of the Cebada Company and the mining equipment and machinery, are \$75,000 U.S. (divided \$30,000, \$24,000 and \$21,000) and 225,000 shares of the Company in respect of which the Company is to be partially compensated \$54,000 U.S. by Fresnillo, and \$47,250 U.S. by Penoles. To exercise the option on the San Pedro Mill requires payment of \$100,000 U.S. (\$30,000, \$37,000 and \$33,000). Robert N. Chommie and Dorothy C. Chommie have agreed not to sell during any one month more than 10% of the shares of the Company which they receive on exercise of the Cebada Option. Mr. Middleton, in his earlier report below mentioned, estimates the replacement value of the San Pedro Mill and mining equipment between \$250,000 and \$350,000. The Cebada Option also provides details of procedure in the event that only one or two of the three optionees desire to exercise the option.

The shareholders of the Cebada Company receive 7% of net smelter returns from any development ore obtained and sold from the Cebada Property during the option period and the balance of such returns is to be the property of the Company (30%), Fresnillo (37%), and Penoles (33%).

As a consideration for the re-negotiation of the Cebada Option, Gross and Associates assigned to Robert N. Chommie and Dorothy C. Chommie options to purchase at 50¢ per share an aggregate of 40,000 fully paid shares of the Company which they exercised.

Cebada Company

The Cebada Company was incorporated on September 23, 1947, under the laws of Mexico with an authorized capital of 25,000 pesos divided into 50 shares. As it was incorporated prior to the date of the "Mexicanization Laws", 100% of its shares may be owned by non-Mexicans. The Cebada Company owns the following Mexican mining concessions:

Name	Title Number	Area (in Hectares)
La Cebada	80,589	15.8532
Echada de Protectora	100,455	4.8012
San Miguel	78,701	16.0600
Demasias	80,588	.7392
Reus o El Chasco	81,237	23.2476
Echado de la Cebada	109,904	28.8000
Total		89.5012

One hectare is equal to about 2.47 acres

Cebada Engineering

The Cebada mine is located on the extensive and productive fault system known as La Veta Madre. The early history of the Cebada mine has been lost but old reports indicate that production was obtained from shallow workings through a shaft. Around the year 1900 the shaft caved and the mine closed down. At the time of closing, the ore was running around 800 to 1,000 grams (25-32 ounces) of silver per metric ton.

During 1947 to 1949 nine surface diamond drill holes were completed by Fresnillo at a cost of approximately \$120,000 U.S. These holes intersected the vein from 50 to 150 metres below the old workings. Six of the holes intersected good grade ore over mining width and it is estimated that approximately 100,000 metric tons of ore averaging 5.9 grams (0.19 oz.) gold and 1,459 grams (47 oz.) silver per metric ton could be won from this part of the mine.

The vein structure is known to extend SW from the Cebada shaft towards the Valenciana mine, a distance of about 1,200 metres and NW for a distance of about 2,000 metres. These extensions of the ore-bearing structures have been largely untested and it is possible that the exploration of this ground will result in the location of additional gold-silver ore.

B. M. Middleton of D. R. Derry Limited in a report dated August 15, 1967, and supplemented February 29, 1968, which may be inspected at the Ontario Securities Commission, recommended that the shaft be opened up and deepened so that the old mine and the indicated ore zone beneath it can be developed. It was estimated that the cost of the programme will be \$250,000 U.S. This estimate included \$18,000 estimated costs of additional equipment required, viz, power line and new pump.

Since the option became effective, progress has been made toward unwatering and deepening the shaft below the 600 foot level. At the time of a new report by Mr. Middleton dated May 21, 1969, and also on file with the Ontario Securities Commission the shaft was timbered as a production shaft 5 x 5 metres to a depth of 45 metres. A surface plant has been installed, which includes hoist, headframe, transformer station, office building and warehouse.

Mr. Middleton’s reports indicate that the San Pedro Millis located on 7.5 hectares of land at Gilmonene which is about 13 kilometres from the Cebada mine. The mill is a counter current cyanide plant designed to process silver and gold-bearing ore of the type found at Guanajuato. The mill has a rated capacity of 150 metric tons per day. There is adequate water and space within the mill for additional grinding units and cyanide tanks to allow for mill expansion. Mining equipment that will be acquired along with the mill include a large head-frame, double drum hoist, 8 single drum hoists, air compressor, drills and miscellaneous mining equipment such as ore cars.

In addition, the optionors named in the Cebada Option have agreed to transfer to the Cebada Company for no further consideration on the exercise of the option approximately 169 hectares of mining claims described as follows:

<u>Name</u>	<u>Title Number</u>	<u>Area (in Hectares)</u>
El Fraile	3,868	32
Ampliacion del Fraile	3,875	42
2nd Ampliacion del Fraile	3,878	56
Estrella de Sur	3,869	27
San Luis Gonzaga	3,870	12

These claims are located on the NW-SW extension of the Cebada property and cover part of the down dip extension of the productive La Veta Madre fault system. The structure on these claims has not been explored at depth by diamond drilling, but their location is considered to be favourable.

Peregrina Option

The optionors named in the Peregrina Option, as re-negotiated after acquisition by the Company from Gross and Associates, are Frances Joy Mandell, (52 Timberlane Drive, Downsview, Ontario); Estherelke Kaplan, (151 Sandringham Drive, Downsview, Ontario); H. Wayne Tanenbaum, (131 Bloor Street West, Toronto, Ontario); Ernest Lionel Samuel, (1060 Indian Road, Port Credit, Ontario, acting as agent for Samuel Steel Strapping Limited, 2360 Dixie Road, Cooksville, Ontario); Runnymede; Katherine Raquel Tanenbaum Kaplan, (151 Sandringham Drive, Downsview, Ontario); and Gustavo J. Perez, (Trustee), Avenida Juarez 42, “C” 1 er piso, Mexico D.F.

Under the Peregrina Option,

- (a) the Company, Fresnillo and Penoles received
 - (i) the option to purchase respectively 30%, 37% and 33% of the issued and outstanding shares of the Santa Lucia Company, divided 3,000 Series “B” shares to the Company, 1,900 Series “B” shares and 1,800 Series “A” shares to Fresnillo, and 3,300 Series “A” shares to Penoles, and
 - (ii) the option to purchase the existing debt (“Purchased Debt”) of the Santa Lucia Company to Runnymede (more particularly described on page 9 hereof), consisting of two sums being a loan by Runnymede to the Santa Lucia Company of an aggregate of \$282,925.90 represented by Promissory Note dated July 13, 1967, bearing interest at 8% per annum from dates of advance, and an unrendered account for services by Runnymede to the Santa Lucia Company for \$167,317.42, such debt to be acquired in the same ratio as the shares, and
- (b) the optionors will receive, if the option is exercised by all three optionees
 - (i) \$155,920 Canadian and 500,000 fully paid shares of the Company for the Series “B” shares and the Purchased Debt, and
 - (ii) \$44,080 for the Series “A” shares.

The cash payments are to be made \$28,522 by Penoles, \$31,558 by Fresnillo and \$139,920 by the Company, and the Company is to be reimbursed \$181,192 by Fresnillo and \$161,228 by Penoles, which reimbursement is payable \$79,920 on exercise of the option, and the balance in 24 consecutive monthly payments aggregating \$10,937.50 each. The Peregrina Option contains detailed provisions for the event that less than all of the three optionees desire to exercise the option.

It is a condition precedent to the exercise of the Peregrina Option that the Company as to 30%, Fresnillo as to 37% and Penoles as to 33% agree to spend \$240,000 on the development of the several properties held by the Santa Lucia Company. The Option to purchase remains open for 18 months from May 6, 1968, with a right to a six month extension by spending or agreeing to spend a further \$60,000. Deducted from the \$240,000 figure last mentioned is \$51,975.46 advanced by Runnymede and spent by the Santa Lucia Company in its mine operation during the period from July 13, 1967, to the commencement of the option period which sum was paid by the Company to Runnymede as a consideration concurring in the renegotiation of the Peregrina Option as set forth above. Eight holders of issued shares of the Company agreed to sell to Runnymede, which purchased for Joseph Tanenbaum, at 50¢ per share 102,000 issued shares of the Company as mentioned under the headings “Promoters” and “Share Options”.

The shareholders of the Santa Lucia Company receive 7.5% of net smelter returns from any development ore obtained and sold from the Peregrina Claims during the option period. The balance of such returns is to be the property of the Company (30%), Fresnillo (37%) and Penoles (33%).

Under The Securities Act (1966) Ontario, Runnymede may be considered to be a promoter of the Santa Lucia Company. The Company is informed that the following hold a 10% or greater share interest in Runnymede:

<u>Name</u>	<u>Address</u>	<u>Share Interest</u>
Tanjo Investments Limited	45 Parliament Street Toronto 2, Ontario	25,000 common shares (100%)
Joseph Tanenbaum	10 Benvenuto Place Toronto 5, Ontario	50,000 voting preference shares (100%)

Santa Lucia Company

The Santa Lucia Company was incorporated on September 3, 1964, under the laws of Mexico. The Santa Lucia Company is subject to the “Mexicanization Laws” under which non-Mexicans may not own more than 49% of its issued shares. Its authorized capital is 1,000,000 pesos (\$80,000 U.S.) divided into 5,100 Mexican Shares and 4,900 Foreign Shares, all of which are issued. The Santa Lucia Company owns the following mining concessions (“Peregrina Claims”):

Company Name	Title Number	(Area in hectares)
San Valentin	72,006	15.8161
San Macaria	76,430	18.6754
Anexas a San Valentin	76,660	17.6614
San Francisco De Peregrina	300 group 576	5.6177
Demasias De San Francisco De Peregrina	300 group 576	2.1313
Nuevas Cuadras Para La Mina De San Francisco De Peregrina	300 group 576	5.6179
El Peregrina	28,323	1.6640
Ampliacion De Peregrina	90,408	9.0000
	formerly 69,872	
Segunda Ampliacion De Peregrina	71,476	9.8990
Tereera Ampliacion De Peregrina	71,478 or 93,628	7.9000
Cuarta Ampliacion De Peregrina	71,688	4.7689
San Ignacio	77,533	9.8775

Peregrina Engineering

The following information is based on the above mentioned reports by B. M. Middleton.

The Peregrina Claims straddle the Peregrina-El Cubo fault system which is one of the three principal ore bearing structures at Guanajuato. The Peregrina Claims were first worked in 1804 but records of the early production are not available. The property was worked intermittently over the years until in 1964 ownership of the ground passed to the Santa Lucia Company. All of the old work was concentrated in the part of the property where the gold-silver veins outcrop. Recently it has been found that a new group of veins occur in another part of the property. These veins were not discovered by previous mine operators because they are buried from view by a cover of about 130 metres of flat lying lava.

One of the covered veins, Villalpando, has been mined on 9 levels on the adjoining Cubo mine up to the Peregrina boundary. Surface diamond drilling and underground development work done by Santa Lucia from 1964 through 1967, and subsequently under the Peregrina option, has proved that the Villalpando vein extends from the Cubo mine into the Peregrina ground for a distance of at least 260 metres. It is estimated that the Villalpando vein on Peregrina contains about 250,000 metric tons of ore with a possible grade of 451 grams (14.5 oz.) of silver and 3.97 grams (.13 oz.) of gold per metric ton.

During underground development immediately prior to the option three completely new quartz veins were found. On one vein, La Cruz, Mr. Middleton estimates 36,000 metric tons at 509 grams (16.4 oz.) silver and 4.27 grams (.14 oz.) gold over a length of 88 metres. However, a good deal of additional work will be necessary before an estimate can be made of the tonnage potential of the other veins where values have proven erratic.

Since the commencement of the option over 776 metres of drifting have been achieved so far, as well as acquisition of equipment, etc. and 927 metres of underground drilling has been used to probe for vein extensions. A letter agreement was signed to have the adjoining Cubo Mine drift underground from their 4, 8 and 10 levels of the Villalpando Vein on to the Peregrina property. A letter of intent has also been signed with respect to negotiation of a proposed conditional agreement of purchase of the issued shares of Cia. Minera Del Cubo S.A. De C.V. for 200,000 shares of the Company by September 15, 1969, provided the Company can make arrangements acceptable to it for Mexicanization.

Purchased Debt

During the period from June, 1964, to July, 1967, Runnymede had advanced by way of loan to the Santa Lucia Company the sum of \$282,925.90, which was used in the development and exploration of the Peregrina Claims. This debt is repayable on demand with interest at the rate of 8% per annum and is evidenced by a promissory note dated July 13, 1967. Runnymede also performed services for the Santa Lucia Company at a cost to Runnymede of \$167,317.42. No account was rendered for these services. Upon payment of the said \$167,317.42, the Santa Lucia Company may be required to pay in Mexico a withholding tax of 20% of such amount. The Purchased Debt will not be recoverable unless the Peregrina Claims are brought into production. In all likelihood, the option to purchase contained in the Peregrina Option will not be exercised unless at the time of exercise it appears that production will be forthcoming from the Peregrina Claims.

Mexex

The Company owns 1,840,046 shares of Mexex, being 92% of the issued and outstanding shares, excluding options to purchase. Mexex was incorporated on March 2, 1966, under Part IV of The Corporations Act (Ontario) with an authorized capital of \$3,000,000 divided into 3,000,000 shares with a par value of \$1.00 each, of which 2,000,050 are issued and outstanding as fully paid and non-assessable. Mexex owns 1,500 Series B Common shares (30%) of the issued and outstanding shares of Cia. Minera Las Torres, S.A. (“Torres”) and 170 Series B Common shares (34%) of the issued and outstanding shares of Plata.

Torres was incorporated on June 15, 1966, with an authorized capital of 500,000 pesos (\$40,000 U.S.) divided into 2,550 Series A common shares and 2,450 Series B common shares and owns, among others the following Mexican mining concessions (“Torres Claims”):

<u>Name</u>	<u>Title Number</u>	<u>Area (in Hectares)</u>
La Morita	143,733	10.0000
La Morita No. 2	142,577	10.0000
Claudia	146,656	157.0000
Claudia No. 2	148,575	114.0000
Las Torrecitas	139,618	9.0000
El Acantilado Suroeste ...	146,637	15.5148
La Mexicana	145,927	18.0000
Cerro Bayo	147,574	25.0000
Providencia Y Anexas	145,977	91.0000
		449.5148

In addition, Torres is the beneficial owner of 5 applications for further mining concessions and is acquiring rights in further ground by way of protection. The information below is taken from the reports of B. M. Middleton.

La Veta Madre Property

Comprising Claudia and Claudia No. 2 concessions, located about 1 mile east of the City of Guanajuato, Mexico. The claims cover about 2 miles of strike extension of the most productive structure bearing gold and silver in the Guanajuato mining camp known as the Mother Lode.

Torres Option

By exercise of the Torres Option, between Mexex, Fresnillo, Penoles, Torres, the Mexican shareholders of Torres (Jose Davalos Morales, Francisco Uribe Hernandez, Aurelio Gonzales Alcour, and Gustavo J. Perez) and Banco Internacional, S.A. Fresnillo and Penoles acquired the 2,550 Series "A" shares and 950 Series "B" shares being 70% of the capital of Torres for \$14,800 (U.S.) paid by Fresnillo and \$13,200 (U.S.) paid by Penoles. During the currency of the option Fresnillo, Penoles and Mexex paid for (in ratio 37%:33%:30%) and caused to be drilled two diamond drill holes (one vertical and one at 78°) on the Veta Madre property for a total of 3,700 metres. The weighted average of the intersections was 437 grams silver and 2.77 grams gold for a true width of 14.9 metres. Before exercise of the option the other unrelated properties which were to be removed from Torres for the benefit of its former shareholders were dropped after investigation (Lomo de Toro mercury, Las Torrecitas tin and La Morita lead-zinc properties). A third hole, 100 metres north of the first two, gave 465 grams (15 oz.) silver and 2.5 grams (.08 oz.) gold over 1.9 metres and two further holes are being drilled 100 metres and 400 metres south of the first two. Mr. Middleton postulates a drill indicated tonnage so far of about 700,000 metric tons grading about 387.5 grams (12.5 oz.) silver and 2.23 grams (.072 oz.) gold.

Other Properties

Plata was incorporated on April 5, 1967, and has an authorized capital of 50,000 pesos (\$4,000 U.S.) divided into 330 Series A common shares and 170 Series B common shares. Plata is negotiating with the Mexican Government for the transfer to it of a mining concession on those lands known as the "Veta Madre Extension". Such lands form part of the Mexican National Reserve Lands and the permissible foreign interest under Mexican law in such lands is limited to 34%. These properties adjoin La Veta Madre property held by Torres. The property covers part of the strike extension of the Mother Lode fault at Guanajuato. The ore found by diamond drilling on Torres' ground may extend onto the "Veta Madre Extension", the property now known as the Cedros.

ONTARIO

In addition to Mexican properties earlier mentioned Mexex is the beneficial owner of an undivided 75% interest in and recorded holder of 54 unpatented mining claims (TB 131744 to 131797 inclusive) totalling approximately 2,160 acres and known as the Goodchild Lake Property. The remaining 25% interest is non-assessable until \$250,000 has been expended in the exploration and development of the claims. The 25% interest was retained by W. H. Gross, Samuel Strapping Systems Limited, W. S. Eplett, R. G. Crompton and Dr. J. P. Sijpkens, Box 564, Adelaide Street Post Office, Toronto, on the sale to Mexex of the remaining interest in such claims for \$5,000, their cost of acquiring the claims. The property is located approximately 10 miles north of Marathon, Ontario. Marathon is located on the main line of the C.P.R. and Trans-Canada Highway, about 150 miles east of Port Arthur. In the winter the property can be reached by tote road from Marathon, in the summer the property can be reached by float plane. The property is underlain by a large serpentinite sill that has intruded older volcanic and sedimentary rocks. Sulphide-mineralization appears to be confined to the contact zone between the serpentinite and the country rock. In 1954 Violamac Mines Limited partially explored about 3,000 feet of the contact zone with 1,500 feet of diamond drilling. According to the Ontario Department of Mines, Violamac reported values up to 2% copper, 0.5% nickel and 2 ounces of silver across a width of 8 feet. The only known geological mapping was done by the Department. The Goodchild Lake claims were staked as a nickel prospect to cover approximately 25,000 feet of the favourable contact zone most of which has been unexplored. No commercial ore body has yet been developed. A full description of the geology and an indication of possibilities of the property is provided in a report by E. D. Black, M.Sc. dated September 8, 1967, which is available for inspection in the public files of the Ontario Securities Commission. Since the report was prepared, a number of anomalies have been outlined as a result of detailed geophysical, magnetic, electromagnetic and self-potential surveys, and these are referred to in the latest report by Mr. Middleton earlier mentioned. This completed the first stage of the two stage programme recommended by E. D. Black for the exploration of the property. The claims require assessment work to be recorded by various dates between September, 1969 and April, 1970.

Samuel Strapping Systems Limited, The Johnson St. Corporation Limited, W. S. Eplett and W. H. Gross may be considered the promoters of Mexex. E. L. Samuel is the only holder of more than 5% of the issued shares of Samuel Strapping Systems Limited and R. G. Crompton, W. S. Eplett and Richard Bredin Stapells, as trustee, are the only holders of more than 5% of the issued shares of The Johnson St. Corporation Limited.

YUKON

The Company is the beneficial owner and recorded holder of all interest in the 19 contiguous, unpatented mineral claims ("Yukon Property") known as MAC Nos. 1 to 19 inclusive, and indicated on Map Sheet 105-B-4 in the Yukon Territory, two miles north of the British Columbia boundary. These cover 950 acres reached by Alcan Highway (160 miles) and private road (16 miles) east from Whitehorse.

The mineral claims may be held indefinitely under the provisions of the Yukon Quartz Mining Act, R.S.C. 1952 Chap. 301, as amended, by performance and recording of representation work. If the holder completes the various requirements for and receives a Certificate of Improvements, he is entitled to a 21 year renewable Crown mineral lease upon payment within 3 months of rental in the amount of \$50.00 per claim for the first 21 years and \$200.00 per claim for the next 21 years. A government royalty is payable with respect to mining profits. Representation work to December 14, 1972, has been recorded.

The property was discovered in 1944 by Wilfred McKinnon and R. Puls for the Hudson Bay Mining & Smelting Co. Ltd. and after some 4,000 feet of drilling was allowed to lapse. Mineral claims MAC 1 to 6 were restaked by McKinnon and partially explored by Kootenay Base Metals (Consolidated) Limited in 1962. After that company withdrew, McKinnon approached A. J. Anderson, now a director of the Company, for assistance in further exploration and the staking of additional claims to enlarge the group. Dr. W. H. Gross, also now a director of the Company, on behalf of Anderson prospected the area surrounding the 6 claims and as a result McKinnon subsequently staked MAC Nos. 7 and 8 for himself and MAC Nos. 9 to 19 for Anderson, who was acting as trustee for Gross as well as for himself and for Edward James Anderson and Marilyn Anderson both of 88 Alexandra Boulevard, Toronto, Ontario.

In 1965 Anderson, as trustee, and McKinnon granted a "working option" to Macassa Gold Mines Limited and Logjam Silver Mines Limited. These companies did substantial exploration work but abandoned their rights and reconveyed the claims after an expenditure in excess of \$300,000 which materially improved the claims. This expenditure covered among other things 675 feet of adit, 2,600 feet of underground drilling, road work and camp and equipment installations.

Messrs. McKinnon and Anderson and Dr. Gross had sufficient faith in the property that they were prepared to spend further of their own money if they could arrange for additional financial assistance. As to results the Company was incorporated as a private company and it was granted by Anderson, as trustee, and McKinnon a "working option" dated May 3, 1966, by way of the right to explore and develop the mineral claims and to cause them to be acquired by a new company.

The Company carried out exploration working involving setting up the camp and completing 300 feet of underground work in the summer of 1966. In view of results and after obtaining technical advice the Company re-negotiated the "working option" and by agreement with Anderson, as trustee, and McKinnon dated October 19, 1966, and amended November 11, 1966, was able to acquire the claims for 750,000 shares of its own capitalization after the reorganization above mentioned in which the 65,000 shares of \$1.00 par theretofore issued were subdivided into 650,000 issued shares and the authorized capital was increased to 5,000,000 shares without par value. Of the 750,000 vendor shares, certificates for 90% or 675,000 shares were deposited in escrow on the terms shown above under the heading "Escrowed Shares" and the balance of 75,000 were issued free of escrow. By reason of the beneficial interest in mineral claims MAC Nos. 9 to 19 inclusive of Dr. W. H. Gross, Edward James Anderson and Marilyn Anderson, aforesaid, the vendor shares were issued, 375,000 to Wilfred McKinnon, 187,500 to Dr. W. H. Gross, 75,000 to Edward James Anderson, 75,000 to Marilyn Anderson and 37,500 to A. J. Anderson. Of the 675,000 escrowed vendor shares, 100,000 were subsequently transferred, as above mentioned under the heading "Management". 350,000 of the escrowed vendor shares were subsequently released.

L. C. Kitchen, Teslin, Y.T., is the only person entitled to and he did receive more than 5% of the vendor share consideration received by Mr. McKinnon.

The cost to the vendors of the 19 mineral claims over many years is essentially the cost of the staking, recording, prospecting and general exploration and may be estimated at \$16,000. The vendor shares were allotted by the Directors at the arbitrary price of 20¢ per share. This price does not necessarily bear any relation to the actual worth of the property or to the amount of money previously expended in its exploration.

Housing on the Yukon property is in the form of a trailer camp, comprised of a bunk house, kitchen, dining room, office and staff house. These facilities are considered large enough to house a 15 man crew. There are also wood frame buildings for store rooms, change house, compressor house, and core shack. There are 2 portable compressors (600 cu. ft. each) drills, cars, trammer, 2 mucking machines, air fan, rail, pipes, electric generator (22 H.P.), jeep and assorted snow vehicles. In a report of Robert Cathro dated November 14, 1967, which is available for inspection in the public files of Ontario Securities Commission it is estimated that the replacement value of the camp, equipment and plant, is \$150,000.

After acquisition of the mineral claims and completion of the first underwriting the Company commenced in the winter of 1967, to carry out the first phase of the recommended development programme of 1,400 feet of underground crosscutting and drifting. During the winter, 240 feet of drifting was completed on the No. 6 vein, and 89 feet of crosscutting towards the No. 4 vein were completed, on the 5,150 level. During the spring, additional supplies were moved into the property and after completion of the second underwriting, the crosscut to the No. 4 vein, a total of 240 feet, was completed. The No. 4 vein was drifted on for a length of 70 feet, but this heading is within the sediments and has not yet reached the diorite contact.

Work on the 5,150 level was postponed during the summer of 1967 to allow a second adit to be collared at the 5,600 level 350 feet below the ridge crest. On this level, 720 feet of advance has been completed of which 410 feet is on the No. 5 vein and 170 feet on the No. 6 vein.

Chip channel sampling of the drift backs at 5-foot intervals have returned the following results:

5150 LEVEL—(calculated by G. H. Gibbs, P.Eng. in his report of April 15, 1967, which is on file in the public records of the Ontario Securities Commission).

No. 6 Vein

Location	Length (ft.)	Width (ft.)	Gold (oz./ton)	Silver (oz./ton)	Lead (%)	Zinc (%)
△14+7E to 47E	40	2.4	0.16	21.9	2.5	3.1
△14+43W to 158W	115	2.8	0.13	15.4	4.8	3.4

5600 LEVEL—(calculated by R. J. Cathro, P.Eng. in his report of November 14, 1967, which is on file in the public records of the Ontario Securities Commission).

No. 5 Vein

△602+68' to △ 603+38'	45	3.1	0.14	17.8	2.5	3.5
△603+54' to △ 604+26'	50	2.9	0.11	8.1	1.4	4.8
△604+48' to △ 605+23'	40	2.3	0.12	12.0	1.2	2.1

No. 6 Vein

△609+52' to 62'	10	2.5	0.09	16.5	2.7	
△611+56' to 66'	10	2.2	0.09	17.0	1.9	

According to the report by R. J. Cathro above mentioned, since which no further exploration of the property has taken place, the economic potential of this property is for a relatively efficient and easily mined underground operation. Eight known veins occur close together, each with a possible strike length of over 1,000 feet within a favourable diorite intrusive. Underground exploration has shown that mineralization persists unchanged over a vertical range of at least 800 feet, and a further 700 feet of vertical range can be explored from a lower adit.

The work so far has been concentrated on the development of the No. 5 and No. 6 veins with a modest amount of work being done on the No. 4 vein, and, although the work has proven that the veins follow strong and continuous structures, there has been insufficient development to allow an estimate of tonnage to be made.

PROPOSED EXPLORATION AND DEVELOPMENT

Cebada

The shaft is to be continued to the projected depth of 900 feet and development work done on the 750 foot and 900 foot levels.

Peregrina

Development work is to be continued on the sixth and tenth levels and a programme of raising commenced to block out ore reserves.

Torres

Diamond drilling on the Veta Madre property is proceeding with two machines toward completion of a programme expected to include twelve deep holes. A decision to go underground may also be taken during the year.

Other properties in the Guanajuato area are currently under investigation.

Goodchild Lake Property

The second stage of the two stage programme recommended by E. D. Black in his report mentioned earlier, includes detailed geological mapping, induced polarization survey and diamond drilling. It is planned to test anomalies disclosed through the completed surveys by diamond drilling in 1969 at an estimated cost of \$23,500.

Yukon Property

In his report dated November 14, 1967, Mr. R. J. Cathro has recommended the following work programme:

<i>Drifting 5,150 level</i>
No. 6 vein—400 feet to intersect the junction with the No. 5 vein.
No. 4 vein—200 feet to diorite contact
400 feet within the diorite
—————
1,000 feet
<i>Diamond Drilling</i>
1,000 feet from No. 6 vein to test No. 7 and No. 8 veins
1,000 feet from No. 4 vein to test No. 1, No. 2 and No. 3 veins

The total cost of this programme was estimated at \$100,000, including camp overhead and supervision. The Company has delayed commencement of the programme for the time being to concentrate on developing if possible a cash flow from Mexican interests.

TORMEX MINING DEVELOPERS LIMITED

With the approval of shareholders, the Company is participating further in Mexican mining and development through Tormex. The participation is by purchase of 150,000 unissued shares at 50¢ carrying warrants

good until March 16, 1970, to purchase an aggregate of 75,000 shares at 80¢. The Company is advised that there have been issued by Tormex an aggregate of 1,005,830 such warrant carrying shares of which some 610,000 have been sold to the public.

Tormex is an Ontario corporation whose prospectus, dated February 24, 1969, has been filed with the Ontario Securities Commission. With head office at Suite 2306, Simpson Tower, Toronto 1, it has an authorized capital of 5,000,000 shares without par value, of which 750,000 shares have been issued for property interest and 1,005,830 shares have been issued for \$502,945.

The following Directors of the Company are Directors, Officers or direct or indirect shareholders of Tormex and their respective interests in Tormex are as follows:

E. L. Samuel owns a majority of the shares of Samuel Strapping Systems Limited which owns half the shares of Saep Investments Limited which is entitled to receive 104,000 vendor shares and 2,332 shares purchased at 50¢, through its interest in Tormex Syndicate, and has purchased or agreed to purchase 96,000 shares at 50¢.

W. H. Gross is entitled to receive 583 shares purchased at 50¢ through his interest in Tormex Syndicate, has purchased 24,000 shares at 50¢ and holds a 3 year incentive option to purchase 100,000 unissued shares at 50¢.

W. S. Eplett receives 25,000 vendor shares through his interest in Tormex Syndicate, owns half the shares of Saep Investments Limited and holds a 3 year incentive option to purchase 50,000 unissued shares at 50¢.

A. J. Anderson has purchased 24,000 shares at 50¢ and is entitled to receive 26,000 vendor shares and 583 shares purchased at 50¢ through his interest in Tormex Syndicate.

R. C. Stone has an interest as a shareholder in F. H. Deacon & Company Limited, which received a fee and an option to purchase 50,00 shares at 50¢ until March 15, 1972, on completing an underwriting of 330,000 shares of Tormex.

Tormex Syndicate is a joint venture through which Ssorg Investments Limited, Saep Investments Limited, The Johnson St. Corporation Limited, W. H. Gross, E. James Anderson, and A. J. Anderson in the spring of 1968 invested some \$29,000 in acquisition of Mexican mining interests and it and, through an agent, Geophysical Engineering & Surveys Limited, Teck Corporation Limited and Copperfields Mining Corporation Limited are vendors to Tormex of the Mexican interests below briefly referred to.

The Company is informed that the only registered holders of more than 5% of the issued shares of the six companies next listed are as respectively indicated:

<u>Company</u>	<u>Name of Owner</u>	<u>Address</u>
Samuel Strapping Systems Limited	E. L. Samuel	1060 Indian Road, Port Credit, Ont.
	Elizabeth June Samuel	1060 Indian Road, Port Credit, Ont.
Ssorg Investments Limited	Robert N. Slatter	Nassau, Bahamas
	Bryan J. O'Neill	Nassau, Bahamas
The Johnson St. Corporation Limited	W. S. Eplett	25 York Valley Drive, Willowdale, Ont.
	R. G. Crompton	1269 Acadia Road, Vancouver 8, B.C.
	R. Bredin Stapells, as trustee	4 Maple Avenue, Toronto 5, Ont.
Geophysical Engineering & Surveys Limited	Norman B. Keevil	866 Tennyson Avenue, Port Credit, Ont.
	Norman B. Keevil, Sr.	45 Balliol Street, Toronto, Ont.
	Keevil Consultants Limited	Suite 4900, Toronto-Dominion Bank Tower, Toronto 1, Ont.
Teck Corporation Limited	Copperfields Mining Corporation Limited	Suite 4900, Toronto-Dominion Bank Tower, Toronto 1, Ont.
Copperfields Mining Corporation Limited	Lamaque Mining Company Limited	Suite 4900, Toronto-Dominion Bank Tower, Toronto 1, Ont.
	Bessemer & Co.	245 Park Avenue, 36th Floor, New York, N.Y.
	Bay & Co.	25 King Street West, Toronto 1, Ont.
	Gee & Co.	25 King Street West, Toronto 1, Ont.

The Mexican mining interests of Tormex now are represented by agreements providing substantially for:

- (1) A two year option, conditional upon Tormex agreeing to spend at least \$250,000 U.S. on exploration and development of the property, to purchase for \$270,000 U.S. from Minera Continental, S.A. and Laboratorios Quimicos y Metalurgicos Laquimex, S.A., directly or indirectly wholly-owned by Continental Ore Corporation, a New York Corporation all the foreign or B shares of Tungsteno de Baviacora, S.A., which owns tungsten deposits on 1,636 acres in the State of Sonora.
- (2) All the foreign or B shares of Compania Minera La Professa, which for 30,000 Tormex shares from the vendors has conditional agreement with Cesar Gonzales Cantu to purchase in two years for 100,000 shares out of the originally allocated 750,000 vendor shares of Tormex, the Tres Hermanas copper property on 7,750 acres in the State of Mexico.
- (3) All the foreign or B shares of Minera Urique, S.A. which owns, subject to a royalty with an escalating **minimum** until 1989 the Arados copper **property** on 757 acres about 125 miles northwest of Chihuahua.

The properties above mentioned are described in a report dated November 30, 1968, by I. S. Thompson of Duncan R. Derry Limited which is on the public file of Ontario Securities Commission in connection with the Tormex prospectus filing.

Where sums of money are referred to in dollars, such monies are Canadian funds unless otherwise indicated.

FINANCIAL STATEMENTS

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET—MARCH 31, 1969

ASSETS

CURRENT ASSETS

Cash	\$ 16,403	
Short term securities and accrued interest	390,614	
Sundry advances	6,009	\$ 413,026

MINING CLAIMS

19 claims in the Watson Lake Mining District, Yukon Territory, acquired for 750,000 shares of capital stock issued at 20¢ each	150,000	
54 unpatented claims in the Goodchild Lake Area, Ontario (75% interest)	5,270	155,270

INVESTMENT IN ASSOCIATED COMPANIES

Tormex Mining Developers Limited at cost (note 2)	75,000	
Other associated companies		
Shares (note 3)	75,000	
Advances	77,150	227,150

OTHER ASSETS AND DEFERRED CHARGES

Advances for Mexican exploration	18,886	
Other advances (subsequently received)	24,884	
Deposit held by trustee (note 5b)	98,000	
Equipment, at cost	33,405	
Exploration, administrative and other expenditures deferred	615,804	
Organization expenses deferred	4,803	795,782
		<u>\$1,591,228</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 14,724
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INCOME DEBENTURES

8% Convertible income debentures, due April 1, 1978, secured by shares of subsidiary company (note 6)	681,000
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INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY

.....	24,004
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 7)

Authorized—5,000,000 shares without par value	
Issued —2,424,000 shares	871,500
	<u>\$1,591,228</u>

Approved by the Board

(Signed) W. H. GROSS, Director.

(Signed) W. S. EPLETT, Director.

AUDITORS' REPORT

To the Directors of
PURE SILVER MINES LIMITED

We have examined the consolidated balance sheet of Pure Silver Mines Limited and subsidiary company, Mexico Exploration (Canada) Limited as at March 31, 1969, and the consolidated statements of exploration, administrative and other expenditures deferred and source and application of funds for the years ended March 31, 1968 and 1969, and the period from incorporation on April 29, 1966, to March 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1969, and the results of their operations and the source and application of their funds for the years ended March 31, 1968 and 1969, and the period from incorporation on April 29, 1966, to March 31, 1967, in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods.

Toronto, Canada
June 2, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED STATEMENT OF EXPLORATION, ADMINSTRATIVE AND OTHER EXPENDITURES DEFERRED

	Years ended March 31,		Incorporation on
	1969	1968	April 29, 1966 to
		(note 8)	March 31, 1967
			(note 8)
Exploration expenditures:			
Mexico—			
Project participation—Cebada, Peregrina and La Veta			
Madre Joint Venture expenditures	\$270,458		
Less expenditures of participants (70%)	189,321		
Project participation (30%)	81,137		
Expenditures on the Peregrina property for the period			
(July 14, 1967, to May 6, 1968) prior to the initia-			
tion of the joint venture project			
Exploration	51,976		
Legal	6,454		
	58,430		
Other field expenditures			
Engineering fees and expenses	28,674	\$ 4,436	
Legal	4,543	16,163	
Sundry	5,656	8,947	
	38,873	29,546	
Other areas—			
Goodchild Lake	20,298		
Yukon	1,430	128,881	\$ 67,983
	21,728	128,881	67,983
	200,168	158,427	67,983
Administrative expenses			
Rent	4,876		
Legal	42,883	20,805	10,051
Accounting and audit	5,450	3,100	275
Printing and stationery	1,921	2,669	850
Telephone and telegraph	2,310	244	628
Transfer agency fees	5,162	1,156	308
Administrative fees	6,400		
Travel and accommodation	4,848		
Miscellaneous	3,326	2,740	1,409
	77,176	30,714	13,521
Financing expenses			
Debenture discount	75,000		
Debenture issue expenses	17,846	12,500	
	92,846	12,500	
	370,190	201,641	81,504
Deduct			
Interest earned	25,153		
Excess of book value of subsidiary company's net assets			
over cost of acquiring shares	28,501		
	53,654		
Expenditures (net) for the year	316,536		
Balance deferred at beginning of period (including for			
1969 \$16,123 deferred by subsidiary company)	299,268	81,504	
Balance deferred at end of year	\$615,804	\$283,145	\$ 81,504

PURE SILVER MINES LIMITED
and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Years ended March 31,		Incorporation on
	1969	1968	April 29, 1966 to
		(note 8)	March 31, 1967
			(note 8)
Source of funds			
Issue of convertible income debentures	\$675,000		
Issue of capital stock for cash	270,000	\$120,000	\$165,000
	<u>945,000</u>	<u>120,000</u>	<u>165,000</u>
Application of funds			
Exploration, administrative and other expenditures			
Expenditures (net) for the 1969 fiscal year	316,536		
Less non-fund items			
Discount on issue of debentures	\$ 75,000		
Excess of book value of subsidiary company's net assets over cost of acquiring shares	(28,501)	46,499	
	<u>270,037</u>	201,641	81,504
Purchase of shares in Tormex Mining Developers Limited	75,000		
Funds deposited with trustee under the Peregrina option agreement	98,000		
Advances for Mexican exploration	18,886		
Purchase of equipment	2,905		30,500
Advances to associated companies	12,796		
Working capital deficiency of subsidiary company acquired	37,186		
Organization expense			3,243
	<u>514,810</u>	<u>201,641</u>	<u>115,247</u>
Increase (decrease) in working capital position	430,190	(81,641)	49,753
Working capital (deficiency) at beginning of period	(31,888)	49,753	Nil
Working capital (deficiency) at end of period	<u>\$398,302</u>	<u>\$(31,888)</u>	<u>\$ 49,753</u>

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—MARCH 31, 1969

1. *Basis of Consolidation*

In accordance with an agreement dated February 29, 1968, the Company acquired 92% of the shares of Mexico Exploration (Canada) Limited (Mexex). The consolidated financial statements include the accounts of Mexico Exploration (Canada) Limited for its fiscal year ended December 31, 1968. On consolidation, a credit balance arises because the book value of the net assets of the subsidiary company exceeded the cost of the shares. This credit has been deducted from deferred exploration and administrative expenditures.

As agreed on purchase of the interest in Mexex

- (a) The Company has reserved for issue at 65¢ per share a further 50,000 shares of its capital stock if Plata de Guanajuato, S.A. (a company in which Mexex has a 34% interest) obtains certain mining concessions by February 28, 1978;
- (b) As part consideration for the acquisition of shares of Mexex, the Company granted an option to purchase an aggregate of 300,000 shares of the Company's capital stock which is exercisable only after 180 days of production at 200 metric tons of ore per day from any of the properties owned by the Mexican affiliates of Mexex and having proved ore reserves of not less than 100,000 metric tons, and before October 31, 1977, as follows:
 - 100,000 shares at \$2.00 per share
 - 100,000 shares at \$2.50 per share
 - 100,000 shares at \$3.00 per share
- (c) An option until October 31, 1970, to purchase at 40¢ per share 100,000 unissued shares of Mexex is held in trust for the Company.

2. *Investment in Tormex Mining Developers Limited*

The investment in Tormex Mining Developers Limited consists of 150,000 shares and 75,000 warrants expiring March 16, 1970, entitling the holder to purchase one common share for 80¢ for each warrant held.

3. *Investment in Shares of Other Associated Companies*

The subsidiary company owns 2,450 shares (49% interest) in Cia Minera Las Torres, S.A. and 170 shares (34% interest) in Plata de Guanajuato, S.A. The shares were acquired for 750,000 shares of the subsidiary valued at \$75,000.

By agreement dated February 23, 1968, the subsidiary granted an option until February 23, 1972, to Compania Fresnillo, S.A. and Metalurgica Mexicano Penoles, S.A. to acquire 950 shares in Cia. Minera Las Torres, S.A. (19% interest) for U.S. \$7,600, less debts of Torres at the date the option is exercised. During the currency of the option, Fresnillo, Penoles and the subsidiary must pay for and cause to be drilled a minimum of 900 linear meters in one or more diamond drill holes on the "Veta Madre" property owned by Cia. Minera Las Torres, S.A. The subsidiary company is required to contribute 30% of the cost of drilling.

4. *Options to Purchase Mexican Mining Interests*

(a) ASSIGNMENT OF OPTIONS

With the approval of the shareholders, the Company acquired an assignment of two options to purchase Mexican mining interests. In consideration for the assignment, the Company granted an option on 250,000 shares of its capital stock at 50¢ per share. The option has been exercised with respect to 75,000 shares and may be exercised with respect to 50,000 shares by May 10, 1971, and with respect to the remaining 125,000 shares within 18 months after the Company has exercised its rights under either of the two options assigned. These two options were renegotiated as the Cebada option and Peregrina option referred to in subsections (b) and (c) below.

(b) CEBADA OPTION

Under this agreement the Company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles), has an option until February 22, 1970

- (i) to acquire 75% of the shares of Compania Minera Cebada, S.A. (the Cebada company) and certain machinery and equipment for U.S. \$75,000 and 225,000 shares of the Company's capital stock and
 - (ii) to acquire the "San Pedro" mill and other equipment for U.S. \$100,000.
- During the option period, the Company, Fresnillo and Penoles are required to maintain a minimum balance of U.S. \$5,000 monthly (Company's share, \$1,500) on deposit to meet exploration expenditures on the Cebada properties.

If the options are exercised, the Company is to have a 30% interest in the Cebada shares and the machinery and equipment and is required to contribute as consideration as follows:

- (i) For the Cebada shares and certain machinery and equipment, U.S. \$30,000 and 225,000 shares of the Company's capital stock, for which the Company is to be partially compensated by receiving U.S. \$101,250 from Fresnillo and Penoles;
- (i) For the "San Pedro" mill and other equipment U.S. \$30,000.

(c) PEREGRINA OPTION

Under this agreement the Company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles) has an option until November 1, 1969, to acquire all the Class A and Class B shares of Negociacion Minera Santa Lucia, S.A. (the Santa Lucia company) and the debt of the Santa Lucia company presently owing to a Canadian company of Cdn. \$450,243 in consideration for Cdn. \$200,000 and 500,000 shares of the Company's capital stock. The Company, Fresnillo and Penoles are required to spend Cdn. \$240,000 on exploration and development of the Santa Lucia properties. As at March 31, 1969, the Company had expended \$226,342.

If the option is exercised, the Company is to receive Class B shares representing a 30% interest in the Santa Lucia company and a 30% interest in the purchased debt and is required to contribute for the Santa Lucia shares and purchased debt—Cdn. \$139,920 and 500,000 shares of the Company's capital stock for which the Company is to be partially compensated by receiving Cdn. \$342,420 from Fresnillo and Penoles, which amount is receivable as to Cdn. \$79,920 on exercising the option and by 24 monthly instalments of Cdn. \$10,937.50 each.

5. *Peregrina Option—Additional Undertakings*

The arrangements for acquisition of the Peregrina option include undertakings by the Company as follows:

- (a) If either Fresnillo or Penoles propose to exercise the Peregrina option, the Company has agreed to join in making the purchase provided for in the option agreement;
- (b) The Company has deposited Cdn. \$98,000 with a trustee to be used to make any payments required to be made by the Company in exercising the Peregrina option;
- (c) During the term of the Peregrina option agreement the Company will not, without the consent of one of the parties to the Peregrina option agreement, issue more than 2,225,000 shares of its capital stock in excess of the number of shares issued on January 1, 1968 (2,100,000 shares) and will not alter its capital structure;
- (d) For two years after the exercise of the Peregrina option, provided that at least 200,000 of the Company's shares are owned by one of the parties to the Peregrina option agreement, none of the Class B shares of Santa Lucia acquired by the Company under the option agreement shall be disposed of without the consent of such party.

6. *Debentures*

During the year ended March 31, 1969, the Company issued \$750,000 8% convertible income debentures. The debentures may be converted into shares of the Company at any time prior to October 1, 1977, at the rate of 500 shares per \$500 principal amount of debentures. Interest is payable on June 30 each year at 8% per annum only to the extent that the Company has made a net profit (defined in the Trust Indenture) in its immediately preceding fiscal year.

During the period ended March 31, 1969, \$69,000 debenture principal was converted into 69,000 shares of the Company's capital stock.

7. *Capital Stock*

- (a) During the period from incorporation on April 29, 1966, to March 31, 1969, shares were issued as follows

1,455,000 shares for cash	\$555,000
750,000 shares at 20¢ each for mining claims in the Watson Lake Mining District, Yukon Territory	150,000
150,000 shares as partial consideration for 1,215,046 shares of Mexico Exploration (Canada) Limited	97,500
69,000 shares on conversion of \$69,000 debentures	69,000
<u>2,424,000 shares issued</u>	<u>\$871,500</u>

- (b) If all options to purchase and conversion rights are exercised, the Company would be required to issue shares of its capital stocks as follows:

Transaction	No. of shares
(i) Options outstanding	
Assignment of Mexican mining interest	50,000
(ii) Conditional options	
On exercise of Peregrina or Cebada options	125,000
On Veta Madre achieving specified production requirements	300,000
On negotiation of acceptable option respecting Compania Minera Del Cubo S.A. De C.V.	10,000
(iii) Conditional purchase obligations	
On acquisition of specified additional property by the subsidiary	50,000
On exercise of the Cebada option	225,000
On exercise of the Peregrina option	500,000
(iv) Conversion of debentures	681,000
	<u>1,941,000</u>

8. *Comparative Figures*

As the subsidiary company was acquired during the year ended March 31, 1969, only the 1969 figures are on a consolidated basis.

